

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER RAPER
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: NEIL PRICE
DEPUTY ATTORNEY GENERAL

DATE: MAY 1, 2015

SUBJECT: PACIFICORP'S 2015 ELECTRIC INTEGRATED RESOURCE PLAN (IRP), CASE NO. PAC-E-15-04

On May 4, 2015, PacifiCorp dba Rocky Mountain Power ("Rocky Mountain" or "Company") filed its three-volume 2015 Integrated Resource Plan ("IRP") with the Commission pursuant to the Commission's rules and in compliance with the biennial IRP filing requirements mandated in Order No. 22299.

ROCKY MOUNTAIN'S INTEGRATED RESOURCE PLAN

Rocky Mountain states that its 2015 IRP represents its 13th comprehensive plan submitted to state regulatory commissions. Rocky Mountain 2015 IRP at 1. The Company says that its IRP Application was developed with participation from numerous public stakeholders, including regulatory staff, advocacy groups, and other interested parties. *Id.* The 2015 IRP focuses on a 10-year period, 2015-2024 (hereinafter "planning horizon").

The Company's projected load forecast is "down beyond 2019 in relation to projected loads used in the [Company's] 2013 IRP and 2013 IRP Update." *Id.* at 2. The Company cites "reduced residential class load forecast due to increased energy efficiency, including continued phase in of the Energy Independence and Security Act federal lighting standards, [and] lower energy response to economic growth" as the main drivers of lower forecasted load. *Id.*

The Company remarked that "Class 2 DSM, or energy efficiency, savings in the 2015 IRP preferred portfolio exceed energy efficiency savings from the 2013 IRP preferred portfolio by 59 percent by 2024." *Id.* at 3. In fact, the Company claims that "acquisition of incremental

energy efficiency resources” increases by 59 percent over its estimate in its 2013 IRP and “meets 86 percent of [the Company’s] forecast load growth from 2015 through 2024.” *Id.*

Once again, Rocky Mountain’s base case wholesale power and natural gas price estimates are significantly lower than the estimates found in its previous (2013) IRP. *Id.* The Company says that the estimates in its 2013 IRP Update are more closely aligned to its 2015 IRP estimates. *Id.* According to Rocky Mountain, “growth in natural gas supplies, primarily from prolific shale plays in North America, have continued to outpace expectations” and exert downward pressure on natural gas prices. *Id.* Rocky Mountain believes that while the market for front office transactions is “favorable, growth in energy efficiency savings mitigate the need for FOTs through the front ten years of the planning horizon.” *Id.* at 4. “On average 2015 IRP preferred portfolio FOTs are down 16% from the 2013 IRP Update and down 29% when compared to the 2013 IRP preferred portfolio.” *Id.*

Rocky Mountain’s 2015 IRP preferred portfolio includes the addition of 816 MW of energy emanating from power purchase agreements for 36 qualifying wind and solar projects coming on-line by the end of 2016. *Id.* The Company says that these projects are necessary in order to “mitigate the cost of state renewable portfolio standard (RPS) compliance” in its California, Oregon, and Washington service areas. *Id.* Rocky Mountain states that its preferred portfolio “meets the Utah 2025 state target of 20%, and has a significant bank to sustain continued future compliance in Utah.” *Id.*

Additionally, Rocky Mountain states that its analysis of “near-term Regional Haze compliance requirements” led the Company to convert some of its coal plants to natural gas by 2018 and install emissions control equipment at its Wyodak, Dave Johnston Unit 3, and Cholla Unit 4 units, potentially “saving PacifiCorp customers hundreds of millions of dollars.” *Id.* at 5-6.

Rocky Mountain also noted the impact of the U.S. Environmental Protection Agency’s (EPA) issuing Rule § 111(d) of the Clean Air Act establishing state emission rate targets for existing resources. *Id.* at 6. According to the Company, “the 2015 IRP preferred portfolio meets PacifiCorp’s share of state emission rate targets among those states in which PacifiCorp serves retail customers and owns existing fossil generation potentially affected by the proposed rule.” *Id.* The Company “continues to support transmission permitting efforts for Energy Gateway West (Segments D and E), Energy Gateway South (Segment F), Boardman to

Hemingway (Segment H), and a line from Walla Walla to McNary.” *Id.* The Company expects to “complete construction of the Walla Walla to McNary project by 2017. *Id.*

Rocky Mountain described several “supplemental studies” the Company relied upon in order to develop its 2015 IRP. *Id.* Regarding potential future resource acquisition, Rocky Mountain claims that it will “exceed its 13% target planning reserve margin through 2019 and falls just short of its target planning reserve margin in 2020.” *Id.* at 8. The Company believes that the expiration of an existing exchange contract will increase system capacity and allow the Company to exceed its 13% target planning reserve margin in 2021 and 2022. *Id.* Rocky Mountain estimates that it will be at least “82 MW and 165 MW below its target planning reserve margin in 2023 and 2024, respectively.” *Id.*

Rocky Mountain expressed its commitment to assess current market conditions and dispatch or sell its system resources in an economic manner to the benefit of customers. The Company believes that “the economic dispatch of system resources is critical to how the Company manages net power costs.” *Id.* The Company estimates that its first on-peak energy shortfall will occur in July 2020, totaling 5 GWh. *Id.* at 9. In July 2024, the Company remarks that the on-peak monthly load deficit will increase to 189 GWh. *Id.* Rocky Mountain does not forecast any energy shortfalls during off-peak periods through the 2024 IRP planning horizon. *Id.*

The Company’s 2015 IRP Action Plan includes the following:

1. Renewable Resource Actions

- Pursue unbundled REC request for proposals (RFP) to meet its state RPS compliance requirements.
- Issue annual RFPs seeking current-year or forward-year vintage unbundled RECs to meet Washington and California renewable portfolio standard targets through 2017.
- Defer issuance of RFPs seeking unbundled RECs that will qualify in meeting Oregon renewable portfolio standard targets until states begin to develop implementation plans under EPA’s draft 111(d) rule. The Company asserts that it has a projected bank balance extending out through 2027.
- Issue quarterly reverse RFPs through 2016 to sell 2016 vintage or older RECs that are not required to meet state RPS compliance obligations.

- Secure bids from 2013 Request for Proposals (RFP) seeking up to 7 MW of capacity from qualifying solar systems to meet Oregon's 2020 solar capacity standard.
2. Firm Market Purchase Actions
- Acquire short-term on-peak firm market purchase deliveries from 2015 through 2017.
 - Balance month and day-ahead competitive price brokered transactions.
 - Balance month, day-ahead, and hour-ahead transactions executed through an exchange, such as Intercontinental Exchange (ICE).
 - Prompt month forward, balance of month, day-ahead, and hour-ahead non-brokered transactions.
3. DSM Actions
- Class 1 DSM: Pursue a west-side irrigation load control pilot beginning 2016. Class 2 DSM: Acquire the following cost effective Class 2 DSM resources targeting annual system energy and capacity selections from the preferred portfolio: 2015- 551 MW of Annual Incremental Energy (GWh) and 133 MW of Annual Incremental Capacity; 2016- 584 MW of Annual Incremental Energy and 139 MW of Annual Incremental Capacity; 2017- 616 MW of Annual Incremental Energy and 146 MW of Annual Incremental Capacity; 2018 634 MW of Annual Incremental Energy and 146 MW of Annual Incremental Capacity.
4. Coal Resource Actions
- Naughton Unit 3: Issue RFP to procure gas transportation and resume engineering, procurement, and construction (EPC) contract procurement activities for the Naughton Unit 3 natural gas conversion in the first quarter of 2016. Possibly update its economic analysis of natural gas conversion in conjunction with the RFP processes to align gas transportation and EPC cost assumptions with market bids.
 - Dave Johnston Unit 3: Wyoming currently appealing 10 Circuit ruling the portion of EPA's final Regional Haze Federal Implementation Plan (FIP) requiring the installation of selective catalytic reduction (SCR) at Dave Johnston Unit 3, or a commitment to shut down Dave Johnston Unit 3 by the end of 2027. If EPA's final FIP is upheld, the Company is committed to shutting down Dave Johnston Unit 3 by the end of 2027. If EPA's final FIP is or will be modified, the Company will evaluate alternative compliance strategies.

- Wyodak: Continue appeal of the portion of EPA's final Regional Haze FIP that requires the installation of SCR at Wyodak. Compliance deadline for SCR under the FIP is currently stayed by the court. If EPA's final FIP is upheld (with a modified schedule that reflects the final stay duration), the Company will update its evaluation of alternative compliance strategies that will meet Regional Haze compliance obligations.
- Cholla Unit 4: Continue permitting efforts in support of an alternative Regional Haze compliance approach that avoids installation of SCR with a commitment to cease operating Cholla Unit 4 as a coal-fueled resource by April 2025.

5. Transmission Actions

- Continue permitting for the Energy Gateway transmission plan. Near term targets for Segments D, E, and F include the continue funding of the required federal agency permitting environmental consultant; continue to support the federal permitting process by providing information and participating in public outreach. For Segment H (Boardman to Hemingway), continue to support the project under the conditions of the Boardman to Hemingway Transmission Project Joint Permit Funding Agreement.
- Complete to follow Walla Walla to McNary project construction plan with 2017 expected in-service date. Continue to support permitting process.

COMMISSION DECISION

Does the Commission wish to process Rocky Mountain's 2015 IRP filing through Modified Procedure with a 90-day comment period and a 14-day intervention deadline?

Neil Price

Neil Price

Deputy Attorney General

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